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Inflationary forces that pushed prices of many commodities to new highs earlier in 1948 have eased but there is no evidence of a general weakening in the economic situation.

Since summer, prices of most nonfarm commodities have leveled off. Demand for some of the "soft goods" particularly textiles and leather products, has weakened.

Prices of farm products, on the other hand, have declined fairly steadily since harvesting of record 1948 crops began. Wholesale prices of food and farm products now average 9 percent below mid-August.

Food prices also have declined at retail, cutting living costs slightly for city people. The BLS index of urban consumers' prices has dropped off a little over 1 percent from August to November. Food prices were down about 4 percent. Nonfood prices rose slightly.

Prices received by farmers have shown a steady downtrend. From a level three times the 1910-14 average in July, the index dropped off 11 percent to 268 for mid-December. It also is 11 percent below December 1947. Biggest drop from a year earlier among the commodity groups was a 40 percent decline in feed grains and hay. Other declines ranged from 1 to 29 percent. Only tobacco and fruit averaged higher than in December 1947.

Prices paid by farmers including interest and taxes are down less than 2 percent from July. Nearly all of the decline is due to lower prices for farm-produced commodities such as feed and food.

A greater decline in prices received than in those paid in recent months brought the parity ratio down to 109 by mid-December, 9 percent below July and the lowest since September 1942.

Despite price declines and recent slackening in retail trade, business activity continues high.

Industrial production remains near record levels. Employment is still close to 60 millions. Personal income is far above the same period of 1947. Businessmen continue to spend heavily for plant and equipment. Expenditures by Federal, State and Local governments are expanding and are becoming increasingly important in the economy.

FARM INCOME Farmers' cash receipts in 1948 continued the climb that began in 1939. Marketings brought farmers an estimated 31 billion dollars, 3 percent more than in 1947. Both average prices and total production were slightly higher than a year earlier. Crop prices averaged 4 percent lower than in 1947 while production was up 10 percent. Livestock prices averaged 9 percent higher, but output was down 4 percent. Production expenses increased even more than cash receipt and 1948 net income was down somewhat from 1947.

FARM REAL ESTATE Average farm land values continued upward in recent months and on November 1 were 8 percent above a year earlier, more than double 1935-39 and the highest on record. Turnover this summer and fall was less than in the same months of 1947.

A recent survey of those close to the land market indicated that recent price declines have made prospective buyers more cautious. On the other hand, those who own farms in the better agricultural areas plan to hang on to them, at least as long as current income stays high and no other investments paying comparable returns are available.

LIVESTOCK AND PRODUCTS With a record corn crop and a favorable hog-corn price ratio, farmers intend to have 14 percent more sows to farrow this spring than last. With average litters, spring pig crop would be up 10 percent from 1948. The 1948 fall pig crop was 8 percent larger than a year earlier, bringing total 1948 crop to 85,281,000, a slight gain over 1947.

Hog and cattle prices continued down from November 15 to December 15. Drop in meat animal prices this fall has been greater, compared to the gain in the meat supply, than is usually the case.

Output of manufactured dairy products in the next few months will be at least as large as a year earlier. Storage stocks on January 1 are expected to be one billion pounds greater than at the beginning of 1948. Depressing effect of these larger supplies on prices may be offset, at least partly, by late winter rise in prices of meats and continued larger consumer income.

With egg production in November a record for the month and withdrawals from storage 20 percent larger than a year earlier, egg prices declined much more than seasonally from mid-November to mid-December.

The rate of lay per hen was a record each month of 1948 after March. If trend continues, output in first half of 1949 may equal same period of 1948, even though fewer potential layers probably will be on farms January 1.

FATS AND OILS Slight declines in December brought index of wholesale prices of fats and oils down to 48 points below the October 1947 - September 1948 average.

FEEDS Prices of most feeds have risen above the low points reached this fall. Protein feeds have made largest gains. Corn advanced 5 to 10 cents per bushel from early November to late December; further gains are likely as the season advances.

WHEAT Wheat prices at Minneapolis and Kansas City declined 6 cents in December.

Farmers seeded 61,370,000 acres to winter wheat this fall, 5 percent more than last year's record and a fourth more than 10-year average. Condition of crop on December 1 indicated a yield averaging 15.7 bushels per acre and a total production of 965 million bushels, 3 percent less than in 1948.

FRUITS AND VEGETABLES Prices growers receive for fruits in January and February will be much lower than during the war and early postwar years but probably will up moderately from early 1948.

Total production of fresh vegetables this winter probably will be about the same as last. Prices in January and February are not expected to average as high as a year earlier.

Government price support operations had removed 76 million bushels of the huge 1948 potato crop from normal food supply channels through December 13. Price support schedule calls for 10 cents per hundred pounds rise from December to January and a 5-cent rise in each of two succeeding months.

Farm prices for dry beans were about at support level in December and more than a third below year earlier. Only slight rise is expected in next few months.

COTTON AND WOOL Spot cotton prices edged upward in late November and December but sales by farmers have not been large. Entries into the loan program continue high and through December 23 totaled about a fourth of ginnings.

Prices for most grades of apparel wool at the close of London sales in early December had advanced above records set at final sales of 1947. In domestic markets, territory fine staple combing wool advanced in early December but lower grades remained unchanged.

TOBACCO Sales of tobacco before the holidays brought prices near or above those of early December, 1947. Prices for burley, second most important cigarette tobacco, through December 21 were slightly below last year. Prices of Virginia fire-cured, dark air-cured, and flue-cured were above 1947.

SUGAR A sugar consumption estimate of 7,250,000 tons for 1949 was made by the Secretary of Agriculture on December 23, in accordance with Sugar Act of 1948. Prices of sugar have increased somewhat since the estimate was released.

The world sugar crop is estimated to be the largest on record and 11 percent larger than in 1947-48.

FERTILIZER Supplies of nitrogen for fertilizer are expected to continue tight in 1948-49, according to Production and Marketing Administration estimates. Instead of the 10 percent gain over 1947-48 expected earlier, the increase probably will be only about 7 percent due to production difficulties. Farmers in the East and South may run into difficulty getting enough of these fertilizers unless they plan ahead.

Supplies of phosphate for this fiscal year are expected to be 5 percent above 1947-48, those of potash, 10 percent.

